



Georgia Sales & Use Tax Informational Bulletin

Partial Sales & Use Tax Exemption for Natural Gas & Liquid Propane Gas

February 28, 2006

Governor Sonny Perdue issued an Executive Order on December 19, 2005, that provided for a temporary partial exemption equal to one-half (2%) of the four percent (4%) State sales and use tax rate imposed under O.C.G.A. § 48-8-30, as that tax applies to charges for the liquid propane gas commodity sold and delivered primarily for residential heating purposes, and to charges for the natural gas commodity billed for residential use.

Recently, the General Assembly acted upon the Governor's Executive Order by passing House Bill 970, which was signed by the Governor and enacted into law on January 25, 2006. The effective periods for the partial exemption were provided in House Bill 970. The partial exemption period for liquid propane gas commodity begins with deliveries occurring on or after January 1, 2006 and lasts through March 31, 2006. The partial exemption for the natural gas commodity billed for residential use begins with billing cycles initiated on or after January 1, 2006 and ends with the third billing cycle ending on or before April 30, 2006.

The following are the frequently asked questions (FAQs) regarding the temporary partial sales and use tax exemption provided for by the Governor's Executive Order and House Bill 970:

- Q₁.** Why are charges for State sales and use tax still appearing on my bill for natural gas purchased for residential use or liquid propane gas sold and delivered primarily for residential heating purposes?
- A₁.** The temporary exemption applies only to two percent (2%) of the four percent (4%) State sales and use tax as applied to the natural gas commodity sold for residential use, or for liquid propane gas sold and delivered primarily for residential heating purposes. Thus, the charges will still be subject to a portion of State sales and use tax, as well as any locally imposed sales and use taxes.
- Q₂.** When does the exemption period begin?
- A₂.** The exemption period for sales of liquid propane gas commodity begins with deliveries occurring on or after January 1, 2006, when delivered primarily for residential heating purposes.

The exemption period for sales of natural gas commodity for residential use begins with the first billing cycle where the beginning service date (i.e., beginning meter read

date) begins on or after January 1, 2006. The tax relief should be credited or otherwise reflected on a consumer's natural gas bill as soon as practicable by dealers.

Q3. When will the exemption expire?

A3. The exemption for the sale and delivery of liquid propane gas primarily for residential heating purposes will expire on March 31, 2006.

The exemption for natural gas sales will expire with the third billing cycle where the ending service date (i.e., ending meter read date) occurs prior to or no later than April 30, 2006.

Q4. Does the exemption apply to locally imposed sales and use taxes?

A4. No. The exemption does not apply to any locally imposed sales and use taxes.

Q5. Does the exemption apply to all charges related to natural gas or liquid propane gas?

A5. No. The partial exemption applies only to charges for the natural gas or liquid propane gas commodity itself and does not apply to other enumerated charges such as base charges, transportation or delivery charges, customer services charges, and any other similar charges that may or may not be itemized on the customer's bill. Note that the sale of natural gas must be for residential use and the sale and delivery of liquid propane gas must be primarily for residential heating purposes.

Q6. Does this exemption apply to purchases made for businesses, manufacturers, or other commercial operations?

A6. No. The exemption applies only to sales of liquid propane gas commodity delivered primarily for residential heating purposes and natural gas commodity billed for residential use.

Q7. Does the sales tax exemption apply to the purchase of liquid propane gas used for outdoor grills?

A7. No. The exemption does not apply to the sale of liquid propane gas used for outdoor grills.

Q8. Can a natural gas or liquid propane gas dealer elect not to participate in the partial sales tax exemption?

A8. No. Natural gas or liquid propane gas dealers must pass along the tax relief to consumers. Failure by a dealer to pass along the tax relief to consumers constitutes an unfair or deceptive act or practice under the Fair Business Practices Act. Should that occur, a dealer would be subject to the same remedies and penalties as any other act or practice constituting a violation of the Fair Business Practices Act.

Q₉. If a dealer erroneously collects tax, what remedies are available to consumers?

A₉. A consumer should try to resolve the issue with their natural gas or liquid propane gas dealer first. If the issue cannot be resolved with the natural gas or liquid propane gas dealer, the consumer should contact the Governor's Office of Consumer Affairs, the office responsible for investigating such complaints. That office can be reached at (404) 651-8600 or 1-(800) 869-1123 (toll-free in Georgia, outside of the Metro Atlanta calling area). Additional information regarding the Governor's Office of Consumer Affairs may be found at www.consumer.ga.gov.

Q₁₀. How should natural gas and liquid propane gas dealers report partially exempt sales?

A₁₀. Natural gas commodity for residential use and liquid propane gas commodity for home heating purposes, sold during their respective exemption period, are not subject to two percent (2%) of the four percent (4%) State sales and use tax. Sales that are eligible for the two percent (2%) rate reduction should be reported on the Georgia Sales and Use Tax Return (Form ST-3) as a partial exempt sale. This is reported by entering fifty percent (50%) of total qualifying sales of natural gas commodity or liquid propane gas commodity on the Sales and Use Tax Return (Form ST-3) in **Part C** (*Schedule of Total Exemptions/Deductions*) on **Line A** (*Total State*). Since local sales and use tax still applies to all sales of natural gas and liquid propane gas, including qualifying commodity sales, no entry should be made in Part C for local taxes for this partial exemption.

For example, if a natural gas or liquid propane gas dealer has \$100 worth of qualifying commodity sales that are eligible for the two percent (2%) rate reduction, \$50 in qualifying commodity sales would be reported on Line A (i.e., 50% of total qualifying commodity sales).

SCHEDULE OF TOTAL EXEMPTIONS / DEDUCTIONS

Part C

A. Total State

50.00

B. Total MARTA

C. Total Local

D. Total Other Local

E. Total Special

F. Total Educational

G. Total Homestead

Any dealer who normally files sales and use tax returns using the EZ Return (Form ST-3EZ) must use Form ST-3 to report sales and use tax during the exemption period. Forms may be found on the Department's website at www.etax.dor.ga.gov. All other taxable sales and exempt transactions should be reported as currently required by law.

- Q11.** What types of records must a natural gas or liquid propane gas dealer maintain?
- A11.** In addition to the records normally required to be kept by dealers for Georgia sales and use tax purposes, a natural gas or liquid propane gas dealer is required to maintain reasonable documentation to support the fact that natural gas or liquid propane gas was delivered to a residential location, that eligible tax relief was passed on to the consumer, and that the delivery or billing period dates fall within the partial exemption period.
- Q12.** Are apartment operators that provide natural gas or liquid propane gas as part of the apartment rental charge entitled to the exemption?
- A12.** No. The exemption is limited to purchases made by non-commercial operations. However, the exemption would apply in instances where individual apartment units are separately metered and occupants are billed directly for natural gas or liquid propane gas.
- Q13.** Similarly, how does the exemption apply in the case of a condominium complex?
- A13.** The exemption would apply if each condominium unit is separately metered and billed for natural gas or liquid propane gas. However, if natural gas or liquid propane gas is included as part of the condominium's association fees, the purchase of natural gas or liquid propane gas by the condominium association would not be eligible for the partial exemption.
- Q14.** If a natural gas or liquid propane gas dealer bills customers based on a single charge versus separately stated charges for the commodity and other items, such as customer service charges, base charges, delivery charges, etc., does the exemption apply to the entire charge?
- A14.** No. Natural gas and liquid propane gas dealers will be required to determine the price for the "commodity" portion of their charges for purposes of applying the partial exemption to their sales (i.e., only apply the partial exemption to the "commodity" portion of their charges based on a reasonable method of accounting). The dealer must be able to document, upon request, that the exemption was applied to the "commodity portion" of the total charge.

FOR MORE INFORMATION

Taxpayer Services Division, 8:00 a.m., to 4:30 p.m., ET, Monday through Friday, excluding holidays, at 404-417-4300. Persons with hearing or speech impairments may call our TDD number at 404-417-4302.

For forms and other information, visit our Internet site at www.etax.dor.ga.gov